

MT LEGISLATIVE HISTORY

Chapter 498 1972

Bill (H) 198 S _____

Original bill & hist. ✓ C

H. Committee on Taxation

S. Committee on Taxation

Hearing Date(s) Jan 26 ✓ C

Hearing Date(s) Mar 26 ✓ C

Mar 02 ✓ C

Mar 31 ✓ C

_____ C

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Apr 04 ✓ C

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Date Out _____ C

Apr 04 ✓ C

Did this bill originate in an interim committee? ____ Yes ____ No

Committee _____

Report _____

TAXATION COMMITTEE

45 Legislature

Bill No.	Subject Matter	Date In	Sponsor	Hearing Date	Committee Action	Date Out
HB 192	Requiring banks to use day-to-day accounting systems when reporting value of bank shares for ad valorem tax purposes.	1/15	Teague, et al	1/21	HELD IN COMMITTEE	
HB 194	To amend section 62-716 to allow cash as well as noncash awards as prizes in bingo games.	1/15	Teague, et al	1/21	DO NOT PASS	1/25
HB 198	Providing ad valorem taxation of gross proceeds of metal mines at a % of merchantable value; deleting metals from net proceeds tax; amending sections.	1/17	Quillici, et al	1/26	AS AMENDED DO PASS	3/7 3/8
HB 205	Amend 84-1855; requiring storage tanks for gas for highway and off-highway use be located on claimant's premises of a gas license tax refund; striking unnecessary language.	1/17	Bardanouve	1/24	DO PASS	1/24
HB 207	To revise inheritance of ag lands allowing transference to family members at productive capacity value with certain contitions to be met; amending sec. 91-4407	1/18	Bradley, et al	1/25	AS AMENDED DO PASS	3/11
HB 210	Providing charges against vacant lots benefited by storm, sewage, or water systems; amending 11-2219.	1/18	Fabrega, et al	1/24	TABLED - 1/24 AS SO AMENDED, DO PASS	2/11

1 ^H BILL NO. ¹⁹⁸
 2 INTRODUCED BY *Timothy Spach* *Hamilton Mular*
 3 *Brand* *Cossey Country Menasha*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR THE AD
 5 VALOREM TAXATION OF THE GROSS PROCEEDS OF METAL MINES AT A
 6 PERCENTAGE OF MERCHANTABLE VALUE; DELETING METALS FROM NET
 7 PROCEEDS TAXATION; AMENDING SECTIONS 84-101, 84-301, 84-401,
 8 AND 84-5402, R.C.M. 1947."

9
 10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 11 Section 1. Section 84-101, R.C.M. 1947, is amended to
 12 read as follows:

13 "84-101. Definition of terms. Whenever the terms
 14 mentioned in this section are employed in dealing with the
 15 subject of taxation, they are employed in the sense
 16 hereafter affixed to them.

17 First -- The term "property" includes moneys, credits,
 18 bonds, stocks, franchises, and all other matters and things
 19 real, personal, and mixed, capable of private ownership; but
 20 this must not be construed so as to authorize the taxation
 21 of the stocks of any company or corporation when the
 22 property of such company or corporation represented by such
 23 stocks is within the state and has been taxed.

24 Second -- The term "real estate" includes:

25 1. The possession of, claim to, ownership of, or right

1 to the possession of land.

2 2. All mines, minerals, and quarries in and under the
 3 land, subject to the provisions of section 84-5401 and
 4 ~~84-7702~~, all timber belonging to individuals or corporations
 5 growing or being on the lands of the United States, and all
 6 right and privileges appertaining thereto.

7 3. Improvements.

8 Third -- The term "improvements" includes all
 9 buildings, structures, fixtures, fences, and improvements,
 10 including mobile homes and house trailers situated upon,
 11 erected upon or affixed to land when the department of
 12 revenue or its agent determines that the permanency of
 13 location of the mobile home has been established and for
 14 this purpose any mobile home is presumed to be an
 15 improvement to real property. If the mobile home or house
 16 trailer is an improvement located on land not owned by the
 17 owner of such improvement, the improvement shall be assessed
 18 as a leasehold improvement to real property and delinquent
 19 taxes can be a lien only on the leasehold improvement.

20 Fourth -- The term "personal property" includes
 21 everything which is the subject of ownership, not included
 22 within the meaning of the term "real estate" and
 23 "improvements."

24 Fifth -- The terms "value" and "full cash value" mean
 25 the amount at which the property would be taken in payment

INTRODUCED BILL

1 of a just debt due from a solvent debtor. 1

2 Sixth -- The term "credit" means those solvent debts,
3 secured or unsecured, owing to a person.

4 Seventh -- The term "mobile home" means forms of
5 housing known as "trailers", "house trailers" or "trailer
6 coaches" exceeding ~~eight--{8}~~ feet in width or ~~thirty-two~~
7 ~~{32}~~ feet in length designed to be moved from one place to
8 another by an independent power connected thereto."

9 Section 2. Section 84-301, R.C.M. 1947, is amended to
10 read as follows:

11 "84-301. Classification of property for taxation. For
12 the purpose of taxation the taxable property in the state
13 shall be classified as follows:

14 Class One. The annual net proceeds of all mines and
15 mining claims, except coal and metal mines, after deducting
16 only the expenses specified and allowed by section 84-5403;
17 also where the right to enter upon land, to explore or
18 prospect, or dig for oil, gas, coal or mineral is reserved
19 in land or received by mesne conveyance (exclusive of
20 leasehold interests), devise or succession by any person or
21 corporation, the surface title to which has passed to or
22 remains in another, the state department of revenue shall
23 determine the value of the right to enter upon said tract of
24 land for the purpose of digging, exploring, or prospecting
25 for gas, oil, coal or minerals, and the same shall be placed

1 in this classification for the purpose of taxation.

2 Class Two. All agricultural and other tools, implements
3 and machinery, gas and other engines and boilers, threshing
4 machines and outfits used therewith, automobiles, motor
5 trucks and other power-driven cars, vehicles of all kinds
6 except mobile homes, boats and all watercraft, harness,
7 saddlery and robes and except as provided in Class Five (a)
8 of this section, all poles, lines, transformers, transformer
9 stations, meters, tools, improvements, machinery and other
10 property used and owned by all persons, firms, corporations,
11 and other organizations which are engaged in the business of
12 furnishing telephone communications, exclusively to rural
13 areas, or to rural areas and cities and towns provided that
14 any such city or town has a population of ~~eight--hundred~~
15 ~~{800}~~ persons or less; and provided further, that the
16 average circuit miles for each station on the system is more
17 than ~~one-and-one-quarter--{1 1/4}~~ miles.

18 Class Three. Livestock, poultry, and unprocessed
19 products of both; furniture and fixtures used in commercial
20 activities; the annual gross proceeds of underground coal
21 mines; and all office or hotel furniture and fixtures,
22 except improvements included in Class Nine.

23 Class Four. (a) All land, town and city lots, with
24 improvements, except improvements included in Class Nine,
25 and all trailers affixed to land owned, leased, or under

1 contract or purchase by the trailer owner, manufacturing and
 2 mining machinery, fixtures and supplies, except as otherwise
 3 provided by the constitution of Montana, and except as such
 4 property may be included in Class Five, Class Seven or Class
 5 Eight.

6 (b) Mobile homes without regard to the ownership of
 7 the land upon which they are situated, except those held by
 8 a distributor or dealer of mobile homes as part of his stock
 9 in trade, and except as such property may be included in
 10 Class Eight.

11 Class Five. (a) All poles, lines, transformers,
 12 transformer stations, meters, tools, improvements, machinery
 13 and other property used and owned by co-operative rural
 14 electrical and co-operative rural telephone associations
 15 organized under the laws of Montana except those within the
 16 incorporated limits of a city or town in which less than
 17 ~~ninety-five-per-cent-(95%)~~ of the electric consumers and/or
 18 telephone users are served by a co-operative organization,
 19 and as to the property enumerated in this sub-section (a)
 20 within incorporated limits of a city or town in which less
 21 than ~~ninety-five-per-cent-(95%)~~ of the electric consumers or
 22 users will be served by a co-operative organization, such
 23 property shall be put in Class Two.

24 (b) All unprocessed agricultural products either on
 25 the farm or in storage, irrespective of whether said

1 products are owned by the elevator, warehouse or flour mill
 2 owner or company storing the same, or any other person
 3 whomsoever, except all perishable fruits and vegetables in
 4 farm storage and owned by the producer, and excepting
 5 livestock and poultry and the unprocessed products of both.

6 (c) The dwelling house, and the lot on which it is
 7 erected, owned and occupied by any resident of the state,
 8 who has been honorably discharged from active service in any
 9 branch of the armed forces, who is rated ~~one--hundred--per~~
 10 ~~cent--(100%)~~ disabled due to a service-connected disability
 11 by the United States veterans administration or its
 12 successors.

13 In the event of the veteran's death, the dwelling
 14 house, and the lot on which it is erected, so long as the
 15 surviving spouse remains unmarried and the owner and
 16 occupant of the property, shall remain within this
 17 classification.

18 Class Six. Property formerly included in this class is
 19 now classified by section 84-308, R.C.M. 1947.

20 Class Seven. (a) All new industrial property. New
 21 industrial property shall mean any new industrial plant,
 22 including land, buildings, machinery and fixtures which, in
 23 the determination of the state department of revenue, is
 24 used by a new industry during the first ~~three-(3)~~ years of
 25 operation not having been assessed prior to July 1, 1961,

1 within the state of Montana. New industry shall mean any
 2 person, corporation, firm, partnership, association, or
 3 other group which establishes a new plant or plants in this
 4 state for the operation of a new industrial endeavor, as
 5 distinguished from a mere expansion, reorganization, or
 6 merger of an existing industry or industries. Provided,
 7 however, that new industrial property shall be limited to
 8 industries that manufacture, mill, mine, produce, process or
 9 fabricate materials, or do similar work in which capital and
 10 labor are employed and in which materials unserviceable in
 11 their natural state are extracted, processed or made fit for
 12 use or are substantially altered or treated so as to create
 13 commercial products or materials; industries that engage in
 14 the mechanical or chemical transformation of materials or
 15 substances into new products in the manner defined as
 16 manufacturing in the 1972 Standard Industrial Classification
 17 Manual, prepared by the United States office of management
 18 and budget; and in no event shall the term new industrial
 19 property be included to mean property used by retail or
 20 wholesale merchants, commercial services of any type,
 21 agriculture, trades or professions. New industrial property
 22 does not include a plant which will create an adverse impact
 23 on existing state, county, or municipal services. The
 24 department shall promulgate regulations for the
 25 determination of what constitutes an adverse impact taking

1 into consideration the number of people to be employed and
 2 the size of the community in which the location is
 3 contemplated. Once the department has made an initial
 4 determination that the industrial facility qualifies as new
 5 industrial property, the department shall then upon proper
 6 notice hold a hearing to determine if the new industrial
 7 classification should be retained by the property. The
 8 local taxing authority may appear at the hearing, and it
 9 also may waive its objection to retention of this
 10 classification if the industry agrees to the prepayment of
 11 taxes sufficient to satisfy tax requirements created by the
 12 location and construction of the facility during
 13 construction period.

14 In the event of a prepayment of taxes, the maximum
 15 amount or prepayment shall be the amount without the
 16 application of the Class 7 (a) to such property.

17 If a major new industrial facility qualifies under
 18 Class 7 (a) the reduction of its yearly payment of property
 19 taxes for reimbursement of its prepaid taxes as provided for
 20 in section 84-41-105, R.C.M. 1947, shall not begin until the
 21 Class 7 qualification expires. And provided further, that
 22 new industrial property shall not be included to mean
 23 property which is used or employed in any industrial plant
 24 which has been in operation in this state for three-{3}
 25 years or longer. Any person, corporation, firm, partnership,

1 association or other group seeking to qualify its property
2 for inclusion in this class shall make application to the
3 state department of revenue in such manner and form as may
4 be required by said department.

5 (b) Business inventories. Business inventories shall
6 include goods intended for sale or lease in the ordinary
7 course of business, and shall include raw materials and work
8 in progress with respect to such goods, but shall not
9 include goods actually leased or rented on the lien date, or
10 mobile homes held by a dealer or distributor as a part of
11 his stock in trade.

12 (c) Air pollution control equipment as defined in
13 section 69-3923.

14 (d) A capital investment in a recognized nonfossil
15 form of energy generation, to the extent provided under
16 section 84-7403.

17 Class Eight. (a) Any improvement on real property,
18 trailers affixed to land or mobile home belonging to any
19 person who qualifies under any one or more of the
20 hereinafter set forth categories, with appurtenant land not
21 exceeding ~~five~~(5) acres, which together have a market value
22 of not more than ~~twenty-seven-thousand-five-hundred--dollars~~
23 ~~{ \$27,500 }~~, which dwelling is owned or under a contract for
24 deed, and which is actually occupied for at least ~~ten~~--{10}
25 months per year as the primary residential dwelling of:

1 (1) a widow ~~sixty-two~~--{62} years of age or older,
2 whether with or without minor dependent children, who
3 qualifies under the income limitations of (4), or

4 (2) a widower ~~sixty-two~~--{62} years of age or older,
5 whether with or without minor dependent children, who
6 qualifies under the income limitations of (4), or

7 (3) a widow or widower with minor or dependent
8 children regardless of age, who qualifies under the income
9 limitations of (4), or

10 (4) a recipient or recipients of retirement or
11 disability benefits whose income from all sources is not
12 more than ~~six-thousand-dollars~~--{ \$6,000 } for a single person
13 and ~~six--thousand--eight--hundred--dollars~~--{ \$6,800 } for a
14 married couple total per annum whether said dwelling is
15 occupied by a single person or a married couple. Provided,
16 further, that one who applies for classification of property
17 under this class must make an affidavit to the state
18 department of revenue on a form as may be provided by the
19 state department of revenue supplied without cost to the
20 applicant, as to his income, if applicable, as to his
21 retirement benefits, if applicable, or, as to his marital
22 status, if applicable, and to the fact that he or she
23 actually occupies or maintains as his or her primary
24 residential dwelling, such land and improvements with right
25 of the county welfare board to investigate the applicant, on

1 the completion of the form, as to answers given, on the form.
 2 Provided, further, the assessed value of said property shall
 3 not be increased during the life of the recipient of
 4 retirement benefits or widow or widower covered under this
 5 class, unless the owner-resident makes a substantial
 6 improvement in the dwelling. For the purposes of the
 7 affidavit required for classification of property under this
 8 class, it shall be sufficient if the applicant signs a
 9 statement swearing to or affirming the correctness of the
 10 information supplied, whether or not the statement is signed
 11 before a person authorized to administer oaths, and mails
 12 the application and statement to the department of revenue.
 13 This signed statement shall be treated as a statement under
 14 oath or equivalent affirmation for purposes of section
 15 94-7-203, R.C.M. 1947, relating to the criminal offense of
 16 false swearing.

17 (b) A capital investment in a building for an energy
 18 conservation purpose, to the extent provided under section
 19 84-7403.

20 (c) The annual gross proceeds of metal mines.

21 Class Nine. The incremental increase in the value of
 22 real estate attributable to repairing, maintaining or
 23 improving existing improvements.

24 Class Ten. The annual gross proceeds of coal mines
 25 using the strip mining method.

1 Class Eleven. Centrally assessed utility allocations
 2 after deductions of locally assessed properties and except
 3 as provided in Class Two for rural telephones and Class Five
 4 (a) for cooperatives, and all other property not included in
 5 the ten (10) preceding classes."

6 Section 3. Section 84-5402, R.C.M. 1947, is amended to
 7 read as follows:

8 "84-5402. Net proceeds tax -- statement of yield,
 9 penalty, extension of time. Every person, partnership,
 10 corporation, or association, engaged in mining, extracting
 11 or producing from any quartz vein or lode, placer claim,
 12 dump or tailings, or other place or sources whatever,
 13 precious stones or gems, ~~gold, silver, copper, lead,~~
 14 ~~vermiculite, bentonite,~~ petroleum, natural gas, or other
 15 valuable mineral, except coal, ~~and metals,~~ must on or before
 16 ~~the thirty-first day of~~ March 31 of each year make out a
 17 statement of the gross yield of the above-named metals or
 18 minerals from each mine owned or worked by such person,
 19 corporation or association during the year preceding the
 20 ~~first day of~~ January 1 of the year in which such statement
 21 is made, and the value thereof. Such statement shall be in
 22 the form prescribed by the state department of revenue, and
 23 must be verified by the oath of such person or the manager,
 24 superintendent, agent, president or vice-president of such
 25 corporation, association or partnership, and must be

1 delivered to the state department of revenue on or before
2 ~~the-thirty-first-day-of~~ March 31. Such statement shall show
3 the following:

4 1. The name and address of the owner or lessee or
5 operator of the mine, together with the names and addresses
6 of any and all persons, corporations, or associations owning
7 or claiming any royalty interest in the mineral product of
8 such mine or the proceeds derived from the sale thereof, and
9 the amount or amounts paid or yielded as royalty to each of
10 such persons, corporations or associations during the period
11 covered by the statement.

12 2. The description and location of the mine.

13 3. The number of tons of ore, barrels of petroleum,
14 cubic feet of natural gas or other mineral products or
15 deposits extracted, produced, and treated or sold from the
16 mine during the period covered by the statement.

17 4. The amount and character of such ores, mineral
18 products or deposits, and the yield of such ores, mineral
19 products or deposits from such mine in constituents of
20 commercial value; that is to say, ~~the-number-of-ounces-of~~
21 ~~gold-or-silver--pounds--of--copper-or--lead~~ barrels of
22 petroleum or other crude or mineral oil, cubic feet of
23 natural gas or other commercially valuable constituents of
24 said ores or mineral products or deposits measured by
25 standard units of measurement, yielded to such person,

1 corporation or association so engaged in mining, and to said
2 royalty holders and each of them, if any, during the period
3 covered by the statement.

4 5. The gross yield or value in dollars and cents.

5 6. Actual cost of extracting same from mine.

6 7. Actual cost of transporting to place of reduction
7 or sale.

8 8. Actual cost of reduction or sale.

9 9. Actual cost of marketing the product and conversion
10 of same into money.

11 10. Cost of construction, repairs and betterments of
12 mines, and cost of repairs and replacements of reduction
13 works.

14 11. The assessed valuation of reduction works for the
15 calendar year for which such return is made.

16 12. Actual cost of fire insurance and workmen's
17 compensation insurance.

18 If any person shall fail, neglect or refuse to file the
19 statement required by this section within the time required,
20 or within any extended period of time allowed, the state
21 department of revenue when transmitting the net proceeds
22 valuations to the counties shall inform the county assessor
23 of such failure, neglect or refusal and the county assessor
24 in addition to the net proceeds tax, if any, shall assess a
25 penalty of 2/3 of 1% of such tax for each calendar month or

1 fraction thereof that the required statement is not filed,
 2 deducting therefrom any moneys collected by the state
 3 department of revenue required by this section. The state
 4 department of revenue shall assess a penalty of \$25 for each
 5 calendar month or fraction thereof, not exceeding four
 6 months, that the required statement is not filed, to be
 7 collected by the state department of revenue and deposited
 8 to the credit of the general fund of the state of Montana.

9 The state department of revenue shall, upon a showing
 10 of reasonable cause, grant an extension of time for filing
 11 the statement required by this section. This penalty shall
 12 be in addition to penalties provided in section 84-5410."

13 Section 4. Section 84-401, R.C.M. 1947, is amended to
 14 read as follows:

15 "84-401. Property assessed at ~~forty-percent-{40%}~~ of
 16 its full cash value -- exceptions. All taxable real property
 17 and improvements and gross proceeds of metal mines must be
 18 assessed at ~~forty--percent--{40%}~~ of its full cash value
 19 except:

20 (1) Properties in section 84-301, under Class One,
 21 shall be assessed at ~~one-hundred-percent-{100%}~~ of full cash
 22 value.

23 (2) The assessment of agricultural lands shall be
 24 based upon the productive capacity of the lands when valued
 25 for agricultural purposes. All lands shall be valued as

1 agricultural lands for tax purposes that meet the
 2 qualifications of section 84-437.2, R.C.M. 1947. Land and
 3 the improvements thereon shall be separately assessed when
 4 any of the following conditions occur:

5 (a) when ownership of the improvements is different
 6 from ownership of the land,

7 (b) when requested in writing by the taxpayer, or

8 (c) when the land is outside an incorporated city or
 9 town.

10 The taxable value of all property shall be determined
 11 by sections 84-301 and 84-308."

12 Section 5. There is a new R.C.M. section in chapter 2,
 13 title 84, that reads as follows:

14 Exemption -- first 20,000 tons of metal mine
 15 production. The annual gross proceeds of a mine producing
 16 metallic ore does not include the first 20,000 tons of ore
 17 produced in a taxable year, and this first 20,000 tons of
 18 ore is exempt from all property taxation.

19 Section 6. There is a new R.C.M. section numbered
 20 84-7701 that reads as follows:

21 84-7701. Definitions. As used in this chapter the
 22 following definitions apply:

23 (1) "Merchantable value" means the average market
 24 value of all salable metals produced or extracted in a
 25 county over a 12-month period. If the extracted ores are

1 milled, smelted, or reduced within the state of Montana, the
2 metals are considered salable after this processing.

3 (2) "Agreement not at arm's length" means an agreement
4 between parties where the sales price does not represent
5 market value.

6 (3) "Department" means the department of revenue.

7 (4) "Market value" means the exchange value of a
8 property in a competitive market.

9 Section 7. There is a new R.C.M. section numbered
10 84-7702 that reads as follows:

11 84-7702. Metal mines -- ad valorem taxation. Each
12 person, partnership, corporation, or association mining or
13 extracting gold, silver, copper, lead, or other metals from
14 whatever source must, on or before March 31 each year, file
15 with the department of revenue a statement of the gross
16 metal yield from each mine owned or worked by such person in
17 the preceding calendar year and the value thereof. The
18 statement shall be in the form prescribed by the department
19 and shall contain the following:

20 (1) the name, address, and telephone number of the
21 owner, lessee, or operator of the mine;

22 (2) the mine's location by county and legal
23 description;

24 (3) the tons of ore extracted from the mine during the
25 taxable period;

1 (4) the merchantable value in dollars and cents of all
2 metals extracted; and

3 (5) any other information requested by the department.

4 Section 9. There is a new R.C.M. section numbered
5 84-7703 that reads as follows:

6 84-7703. Valuation -- gross proceeds. On or before
7 July 1 each year, the department shall determine the
8 merchantable value of all metal production from the previous
9 calendar year. The department shall transmit to its agent in
10 each county where metals are produced the merchantable value
11 as has been determined by the department for placement on
12 the assessment roll, after subtracting such portion of the
13 proceeds as may be exempt from property taxation.

14 Section 9. There is a new R.C.M. section numbered
15 84-7704 that reads as follows:

16 84-7704. Taxation of merchantable value. The
17 department's agent shall prepare from the reported valuation
18 a tax roll which shall be transmitted to the county
19 treasurer on or before September 15 each year. The county
20 treasurer shall proceed to give full notice thereof to each
21 metal producer and to collect the taxes due at the times
22 provided for in 84-4103, and any delinquencies in the
23 payment of same shall be subject to the interest and
24 penalties provided for in 84-4103.

25 Section 10. There is a new R.C.M. section numbered

1 84-7705 that reads as follows:

2 84-7705. Imputed value -- procedure for metals. If
3 there is no sale or the sale is by an agreement not at arm's
4 length or no statement is filed, the department shall impute
5 the merchantable value of the metal. When imputing value,
6 the department shall consider all appropriate market
7 information available. When the imputed value is contested
8 in any proceedings, the burden of proof is with the
9 contesting party.

10 Section 11. There is a new R.C.M. section numbered
11 84-7706 that reads as follows:

12 84-7706. Lien of tax. The tax or penalty on gross
13 proceeds is a lien upon the mine from which the metal is
14 extracted and is prior lien upon all owned or leased
15 personal property and improvements used in extracting the
16 ore or metal. The tax shall be collected in the manner
17 provided under chapter 41 of this title.

18 Section 12. There is a new R.C.M. section numbered
19 84-7707 that reads as follows:

20 84-7707. Penalties. (1) A person who refuses to file
21 the required statement with the department or makes a false
22 statement commits a misdemeanor. Persons convicted under
23 this section shall be fined not to exceed \$1,000 or be
24 imprisoned in the county jail for a term not to exceed 6
25 months, or both.

1 (2) If the required statement is not filed timely and
2 no extension has been granted by the department, there shall
3 be assessed a penalty of 1/2 of 1% of such tax for each
4 calendar month or fraction thereof that the statement is
5 delinquent.

6 (3) The department when shown good cause may grant an
7 extension of the time for filing the required statement.

8 Section 13. Effective date. This act shall apply to
9 all metal mines production for calendar year 1977.

10 Section 14. Severability. If a part of this act is
11 invalid, all valid parts that are severable from the invalid
12 part remain in effect. If a part of this act is invalid in
13 one or more of its applications, the part remains in effect
14 in all valid applications that are severable from the
15 invalid applications.

-End-

STATE OF MONTANA

REQUEST NO. 89-77

FISCAL NOTE

Form BD-15

In compliance with a written request received January 18, 19 77, there is hereby submitted a Fiscal Note on House Bill 198 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION

This bill provides for the ad valorem taxation of the gross proceeds of metal mines at a percentage of merchantable value; deleting metals from net proceeds taxation.

ASSUMPTIONS

1. FY 78 will be unaffected due to date of implementation.
2. The state mill levy will be 6 mills.
3. The average difference between the taxable value computed under net proceeds and taxable value computed under gross proceeds for the last 20 years for Anaconda Company was assumed to hold throughout the biennium. Small producers were excluded, but this is offset by the fact that the 20,000 ton exemption was excluded from Anaconda Company calculations. The average under net proceeds was \$4.685M and under gross proceeds was \$5.880M.
4. Administrative costs will be unaffected by this bill.

FISCAL IMPACT

If the proposed legislation were enacted there would be no effect on state revenue in FY 78. There would be an increase of approximately \$7,000 in FY 79.

EFFECT ON COUNTY REVENUE

Granite County will lose approximately \$150,000 in taxable value due to the bill because of the 20,000 ton exemption. Silver Bow County will gain about 1 million dollars in taxable value on the average.

LONG-RANGE EFFECT

The long-range effect of this bill will be to stabilize the tax base of Silver Bow County. Averages used for these calculations are somewhat misleading because in the last 20 years Anaconda Company has had no net proceeds in 7 of these years. Whether Anaconda Company has net proceeds or not can cause the taxable value in Silver Bow County to fluctuate by as much as \$15 million in one year. These variations must be compensated for by adjusting mill levies on other property owners in Silver Bow County.

PREPARED BY DEPARTMENT OF REVENUE

Richard L. Drury for
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-24-77

17 - January 26, 1977

page 8

The issue was to take the prohibition of gambling out of the Constitution and allow the people through the legislature to decide what they wanted. Rep. Scully advised the legal issue is the one that was voted on. It is hard to arrive at a standard of what the people were really voting for. They were voting for some sort of gambling.

Rep. Joe Quilici, District #84, Butte, sponsor of HB 198, handed out exhibits A, B, C. Doing away with the net proceeds tax on metals and replacing it with the gross proceeds tax. Net proceeds tax is paid only on the book projection. Gross proceeds is paid on value. The Anaconda Company pays approximately 96% of the total net proceeds in the state - they will also pay about the same percentage by changing to gross proceeds. This will have very little effect on the rest of the state. Because some years no tax was paid on net proceeds, it made it very difficult to run their local government and schools. In some years the company will pay more in net proceeds tax than they did on gross proceeds. When the county receives no net proceeds tax, somebody has to pick up this tab. We are attempting to come close to what has been paid under gross proceeds so that we can even out the payments.

Ken Morrison, Department of Revenue, Property Valuation Division. The department is a proponent because of ease of administering by the gross proceeds method. The net proceeds tax was in the 1889 Constitution, and the legislature had to devise a system for taxing minerals. There are three ways to do this: tax minerals in place; net proceeds tax; gross proceeds tax. Net proceeds tax takes value of the mineral after extraction which would allow for the valuation with a levy applied to arrive at the tax. At that time they chose net proceeds because of a lack of a better approach and that method is being used now. Gross proceeds on mineral is 45% and gross proceeds on metal mines would be 6%. Oil and gas net proceeds is 60% of their gross. The metal industry would be affected by this bill at a rate of 6%. In trying to place a value on the mineral, a levy would be applied in the local taxing district.

Dennis Burr advised the DOR has been working on the concept of gross proceeds for years. For many years the net proceeds tax has been locked in. The problem has been the fluctuations in the net proceeds tax. Any time there is production, there will be a tax under gross proceeds method. Under net proceeds the department has an awful time with audits. Interpretations of the law were different. Compromises had to be made. 6% of the gross production in any given year will be producing some income.

Rep. Harrington supports HB 198. He would like to see removal of the net proceeds tax. In Silver Bow County \$19 million worth of minerals were removed, but no tax was paid. He feels this is unfair.

Pat Smith, Northern Plains Resources, supports HB 198 because it has direct implications in development of the Stillwater area. They strongly endorse taxation of minerals on gross proceeds because there is usually an insufficient tax base to cover the cost of mineral development. Local tax base should be stabilized to avoid overtaxing

local properties. Gross proceeds tax is a much more equitable method of taxing. See his testimony attached.

Bill Sternhagen, director of government affairs of Anaconda Company, stated the thing wrong with gross proceeds is that you require the company (Anaconda Company) who do not have the money to pay the tax in many years, and don't feel it is fair to have to pay taxes when they don't have the money. They lost \$40 million in the last year. He doesn't think this is the year to raise taxes. HB 198 was supposed to equalize Anaconda's net proceeds tax by making it a gross proceeds tax but would raise taxes from \$800,000 to \$2 million. The committee asked to study the figures he presented (attached).

Gene Phillips, Kalispell, ASARCO stated they are presently investigating the possibility of underground copper mining near Bull Lake. Gross proceeds tax does not apply in the case of copper. When taxes on coal are raised, the consumer is the one who pays the tax. Copper is subject to the vagaries of a world market. Gross proceeds tax would still make for a fluctuation in tax revenue. It is hard to figure their tax impact.

Russell Chadwick, Interwest Mining Association, said look at the whole tax picture relative to other states and in Montana there is already between the source indemnity tax and metalliferous tax of 2%, and in addition, the corporate income tax and with the existing net proceeds tax, Montana is much higher in its total tax package relative to mining than any other state and scares off any prospective developers of mining. Existing and potential developments should be given consideration because of the fact that the gross proceeds tax is scary to anyone who is contemplating development or exploration.

Victor D. Wright, Alberton, Montana, Montana Mining Association, stated 7 out of 20 counties budget their expenses. Companies are afraid of the political situation in this state and back up on their proposed investment because of taxes. Anaconda has one of the lowest dividends on the stock market board.

D.B. Eamon, and D.H. Nearly, Anaconda Co., Butte, oppose HB 198.

William Banmeter, Silver Bow County, is not an opponent to this type of tax. Anaconda has been manhandled to the point of going out of business. ARCO is now Anaconda. They would have a higher rate of taxation under a gross proceeds tax, and this will only succeed in shutting down operations and Silver Bow County will be in trouble. The rate of the tax rate is the problem. Montana has much better mineral, but it isn't produced because of higher taxation. 4 or 5 companies would move into Montana if taxation were reduced.

Rep. Quilici closed, advising that Anaconda has never been audited and has been taxed using the figures they have presented to the DOR under the net proceeds method. This would be a tax on the minerals in Montana - they are a non-renewable resource and should be compensated for now. This is recommended by the DOR. It will cut the small miners tax in half; applies penalty; and gross proceeds taxes can be collected in 1977.

Mr. Sternhagen disagrees with the approach to the tax and on the rate, which would make it almost 3 times what it is now. They would have to pay in serious loss years, when they don't have the money to pay the tax. He based their figures on their projected five-year plan, which is shown in the exhibit he handed out. He recommends 2% which would equalize their taxes rather than the 6% as proposed by HB 198.

Rep. Fabrega advised that Decker is a bigger taxpayer than is Anaconda. What percentage would this increase Anaconda's tax overall including all property? They are the biggest taxpayer in the county and outside of Decker, the biggest in the state.

ARCO operates so that each part is accustomed to making money and doing things in such a manner so they aren't subsidizing any other part.

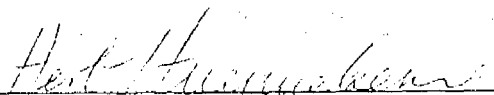
Burr advised in oil production, net proceeds is paid by the crude value; in metals, expenses are allowed. Net proceeds tax is not a strict showing of net income of a company. The DOR feels that over a period of time the 6% rate will average out.

Allowable deductions sometimes wipe out the tax base. Years showing no net proceeds are not necessarily loss years. The committee requested more information on deductions allowed by Anaconda in figuring their tax.

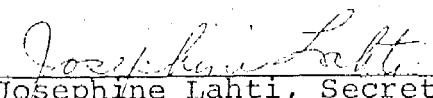
Rep. Hershel Robbins, District #46, Musselshell County, introduced Rep. Dassinger, who will carry House Bill 237 for him. HB 237
HOUSE BILL would change the coal severance tax exemption from 5,000 tons a quarter to 20,000 tons a year. This would give the small
237 miner a little leeway. He could mine 20,000 tons in the last quarter of the year. This bill is generally to try to relieve them from a high rate of taxation. These mines are mostly for home trade, and would allow mining of 20,000 tons in any one quarter with reduced taxation.

House Bill 277 was not heard.

Meeting adjourned at 12:00 noon.



REP. HERB HUENNEKENS, Chairman



Josephine Lahti, Secretary

COMMITTEE ON

TAXATION

HOUSE BILL NO.	ENTERED COMM.	DATE CONSIDERED	OUT OF COMM.	DO NOT <u>DATE</u>	DO NOT PASS <u>DATE</u>	DO PASS AS AMEND. <u>DATE</u>	BE CON- CURRED IN <u>DATE</u>	BE CONC. IN AS AMENDED <u>DATE</u>	BE NOT CON- CURRED IN <u>DATE</u>
157	1/27	3/24	3/24				3/24		
168	4/5	4/13	4/13						4/13
169	1/27	3/19	4/13					4/13	
186	2/4	3/25	3/25				3/25		
198	3/15	3/26 3/31 ^{4/4}	4/4					4/4	
204	4/15	4/15	4/15	WITHOUT RECOMMENDATION AS AMENDED					
207	4/6	4/13	4/15						4/15
210	2/19	3/11	3/11						3/11
215	3/11	3/26	4/1					4/1	
237	2/8	3/15	3/15				3/15		
288	2/8	3/9	3/9				3/9		
292	4/5	4/12	4/12					4/12	
309	2/10	3/24	3/24				3/24		
321	2/4	3/25	3/25				3/25		
324	2/16	3/11, 18 & ²²	3/24	WITHOUT RECOMMENDATION AS AMENDED					
340	4/1	4/4	4/4	WITHOUT RECOMMENDATION					

(Use Separate Sheet for Senate, House Bills, and Resolutions)

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 26, 1977

The fifty-fifth meeting of the Taxation Committee was called to order on the above date at 8:10 a.m. by Chairman Mathers.

ROLL CALL: Roll call found Sens. Towe, Brown and Roskie absent, excused.

The following witnesses were present:

Carter Picotte	M.D.U.
Walter G. Taylor	Missoula Sr. Citizen
George Nig McGrath	Silver Bow County
Gregg L. McCurdy	Mont. Assoc. of Counties
Bob Gannon	Montana Power

CONSIDERATION OF HOUSE BILL 215: Rep. Palmer said this was an act to revise eligibility for Class 8 property. He said the bill gives the inflationary rate to the requirement and provides some relief to those most in need of such tax breaks. Mr. Taylor spoke also as a proponent of the bill, as amended. He said he felt this modest increase in the income of those meeting requirements was in line with the inflationary times. Mr. Field, city manager of Helena, said he was also strongly supportive of the bill as he felt senior citizens in particular needed a tax break. Mr. McGrath too was in support of the bill and said many people are just getting by and he knew that other county assessors throughout the state are supporting this measure as well, as they know many people who do need this kind of a break.

Mr. McCurdy said he must oppose the legislation only because it is another way of chinking away at property taxes for local government units.

The Chairman called for other proponents or opponents and permitted Rep. Palmer to close his testimony. Rep. Palmer said he realized this bill will take some money out of local governments, but he did feel this was a modest request. He said he hated to cause erosion of the tax base of the local governments, but did feel this was a segment of the population that needed help. Many older people have had to sell their homes because of taxes, homes in which they had lived for many years, and he did feel there was justification in his bill if it would help these individuals save their homes.

Chairman Mathers opened the meeting for questions and the Fiscal Note was referred to, a revised F.N., in an effort to determine the cost of such legislation. Following this discussion, the hearing on HB215 was closed.

CONSIDERATION OF HOUSE BILL 198: Rep. Quilici, Dist. 84, said his bill will change the method of taxing non-ferrous metals. Over a period of the last 20 years he said there have been no net proceeds tax on these metals and this bill would tax the metals instead

with an ad valorem tax on the gross proceeds in order that the county government may know what amount of tax they will receive and can plan their budgets accordingly. Mr. McGrath stated he had helped work on this bill for 3 or 4 years and thought it imperative this legislation be adopted. He said they had lost as much as 30% of taxes in a year, and thus could not set school budgets or county budgets ahead, because of the fluctuating tax. Mr. Lynch said he had no objection to raising the exemption to 20,000 tons. There is at present an exclusion for small miners, and he felt it important that these small miners be kept in mind when the committee considered this bill, and since a gross proceeds might be 'disastrous to the small miners,' he asked that the exemptions be raised.

Chairman Mathers asked for other proponents or opponents and as there were none, Rep Quilici closed stating he felt this kind of legislation would benefit the mining industry in the state. The committee then asked several questions and it was brought out that as the price of copper raises, valuation will raise and as production raises, the taxable values will also raise. This concluded the hearing on HB198.

The committee then discussed HB70 and the amendments prepared by Mr. Tippy. They were presented with Exh. #2, which contained some of the amendments they had considered at a previous meeting. They went through these amendments, making several minor changes, and discussed them further. Sen. Turnage proposed an amendment that would limit local governments to the amount of budget increase they could enact and this was written into the amendments as well. They felt that some local government units would need no increase at all, considering normal development and natural growth. They also moved to adopt the amendment introduced by MDU and Montana Power companies. Judge Bennett had ruled their transformers, etc., were not to be centrally assessed, according to Mr. Gannon, and in view of this they introduced Exh. #3, which the committee also adopted. Rep Fabrega also had an amendment to change the mill levy on page 110, line 5, from 1 mill to 3 mills.

Sen. Goodover Moved the Adoption of amendments in Exh. #2, including Sen. Turnage's limits on local governments' mill levy restriction of 105% of previous year's budget. His motion carried unanimously.

Sen. Turnage Moved Adoption of Montana Power, MDU amendment, page 22, lines 19 through 21. This motion carried unanimously.

Sen. Watt Moved Adoption of amendment of Rep. Fabrega, see above. The motion also carried unanimously.

Mr. Tippy then pointed out that new language would have to follow the last section before the repealer in the bill also, and he was instructed to draw up such an amendment.

ROLL CALL

SENATE TAXATION COMMITTEE

45th LEGISLATIVE SESSION - - 1977

Date 3/26/77

NAME	PRESENT	ABSENT	EXCUSED
SEN. WATT	✓		
SEN. BROWN			✓
SEN. GOODOVER	✓		
SEN. HEALY	✓		
SEN. MANNING	✓		
SEN. NORMAN	✓		
SEN. ROSKIE			✓
SEN. TOWE			✓
SEN. TURNAGE	✓		
CHAIRMAN MATHERS	✓		

Horse
BILD 198, 215

DATE 3/26/

NAME	REPRESENTING	BILL #	(check one)	
			SUPPORT	OPPOSE
Carter Picotte	MDU	HB 70	☒	☐
Valley J. Taylor	Missoula Senior Citizens	HB 215	☒	☐
George Nig, McShane	Salmon Bow County	NB 125	☒	☐
Garry L. McCurdy	MT. ASSN. OF COUNTIES	HB 215	☒	☐
Bels Gannon	Montana Power	HB 70	☒	☐

said plant-use does not generate any revenue and is used for other than financial gain. Mr. Dore said the difference between net and gross in this instance would be the internal use. Sen. Turnage then asked about taxing the gross and giving a credit for the energy used for production. He said he thought a better definition should be amended into the law. He therefore proposed an amendment to insert "except for generating plant use" on page 2, line 3, also reinserting "gross" amount and deleting "net" also, line 3.

Sen. Turnage Moved Adoption of Amend #1 to HB151; his motion carried unanimously. Sen. Towe then Moved Adoption of Amend #2, to strike lines 16 through 19, page 5; motion unanimous. Sen. Turnage then Moved to Add a Repealer to the title and in the body of the bill, repealing 70-805. Motion carried unanimously. Sen. Turnage then Moved to strike section 7 of the bill.

Sen. Turnage then Made a Motion that the committee delegate Mr. Tippy to write a letter to the Finance and Claims Committee informing them that the funds that now go into the general fund from the otherwise earmarked revenue funds must be appropriated to the department of natural resources and conservation. He is to specify the figures used in the Fiscal Note of the bill.

The committee voted unanimously on Sen. Turnage's motion as the amend #4 on attached committee report deletes that portion of the bill which states the funds go into 'the earmarked revenue fund.' The committee then moved the bill.

DISPOSITION: Sen. Turnage Moved HB151 As Amended Be Concurred In. The motion was carried unanimously.

CONSIDERATION OF HB156: Mr. Doney said the bill revises the renewable resource development loan criteria in order to allow private borrowers to be either owners or operators. The bill also provides new lien and repayment criteria for public-sector loans. He went through the bill explaining the amendments that had been made to the present law. Mr. Munger also contributed to the testimony. The committee asked questions of the witnesses.

Following the discussion the committee went over the proposed amendments and the amendments were then moved.

Sen. Towe Moved to Adopt Amends #1 and #2, page 6. His motion was carried unanimously.

Following adoption of these amendments the hearing on HB156 was closed.

The Chairman then permitted two representatives of the Anaconda Co. to present additional testimony in regard to HB198, heard by the committee on March 26th. Mr. Sternhagen presented Exh. #4, and explained some of the charts therein. He said Silver Bow County officials are satisfied with the same tax they had received over the previous 15 years, but their aim through this legislation would be to receive the tax on a yearly basis, rather than when the company

pays the net proceeds tax. In this way the county and school districts can better budget for the coming year. He admitted the legislation would be advantageous to both the county and to the company, however, he said some years the company pays no net proceeds tax and these are the years the county and school districts have their difficulties. Mr. Crippin also appeared representing the firm.

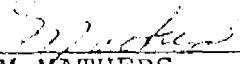
The committee questioned at some length in regard to the figures presented in Exh. #4. They also asked if the bill was in proper form and Mr. Tippy said it must be amended to conform with HB70. The committee reiterated their position they would like several of the terms used in the bill better defined by Mr. Tippy. This closed the hearing on HB198.

CONSIDERATION OF HB737: Rep. Huennekens presented his bill and said this problem has been an increasing one in recent years, as he said there are many retired people who find it more difficult to pay taxes on their mobile homes or trailers used partly for their living quarters. He felt these people needed some help from the state. The Chairman reminded Rep. Huennekens that if SB193 is passed it would do away with the need for this bill. The committee then decided to hold the bill until action had been taken on SB193. The hearing on HB737 was then closed.

A number of amendments had been proposed for SJR44 and Sen. Towe went through them again, further explaining them. Sen. Towe then Moved to Adopt Amends #1, 2 and 3. Motion was carried. Note for record absence here of Sen. Turnage. Sen. Goodover reserved his vote. Sen. Goodover then Moved to add "or business" to title and to be also included in the body of the bill. Motion carried.

DISPOSITION: Sen. Towe then Moved SJR 44 As Amended, Do Pass. A roll call vote was taken which resulted in an 8-1 vote.

The meeting was then adjourned.


WILLIAM MATHERS

CHAIRMAN

ROLL CALL

SENATE TAXATION COMMITTEE

45th LEGISLATIVE SESSION - - 1977

Date 3/31/77

NAME	PRESENT	ABSENT	EXCUSED
SEN. WATT	✓		
SEN. BROWN	✓		
SEN. GOODOVER	✓		
SEN. HEALY	✓		
SEN. MANNING	✓		
SEN. NORMAN	✓		
SEN. ROSKIE	✓		
SEN. TOWE	✓		
SEN. TURNAGE	✓		
CHAIRMAN MATHERS	✓		

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

April 4, 1977

The sixty-first meeting of the committee was called to order on the above date in Room 415 of the Capitol Building by Chairman Mathers.

ROLL CALL: Roll call found all the members present.

Chairman Mathers said since there were no bills scheduled for hearing, the committee would discuss HB198 further. Mr. Tippy explained the amendments on Exh. #1, some of which were to correct technical changes in the law. Amendments were also proposed by Sen. Turnage, in addition to those on Exh. #1, which appeared on page 18, and are amends #5 through 7 on committee report. Sen. Towe Moved these Amendments, see above; motion carried unanimously. Sen. Towe then Moved Amendments in Exh. #1; motion was unanimous.

DISPOSITION: Sen. Goodover Moved HB198 As Amended, Be Concurred In. The motion carried. Note for the record that "No" votes were cast by Sens. Brown and Towe.

It was agreed by the committee that the metal mines proceeds tax will be looked at by the Legislature in 2 years. Sen. Healy stated that although it might appear the Anaconda Company might realize a slight savings in revenue through the gross proceeds tax, it nevertheless stabilized the revenue for the county and the school districts, and those officials had stated their satisfaction with the bill. Further, the amendments had also been studied and accepted by the concerned parties.

Sen. Towe had an additional amendment to propose to the bill which would necessitate the Legislature taking another look at the law after 2 years to see if the price of copper would have risen significantly, thus giving Anaconda Co. a tax savings. The committee rejected amending HB198 to reflect this, and rather, opted instead to put in an effective date to assure action.

Later in the meeting HB198 was discussed and Sen. Healy made the suggestion the mines tax could be amended into HB773 so that a study could be made before the next legislature. This met with the committee's approval and Mr. Tippy was instructed to include this amendment with those of HB773 he is to prepare. Sen. Healy made a motion to this effect; motion carried unanimously.

The committee next directed their attention to HB769 and Mr. Beck of the Highway Department was present to give information on the bill and the uses to which the revenue would be put should the legislation be adopted. He said the Department had looked at all of the bills and it was their opinion that given the funding in HB769, it would probably handle all the increased appropriations.

ROLL CALL

SENATE TAXATION COMMITTEE

45th LEGISLATIVE SESSION - - 1977

Date 11/21/77

NAME	PRESENT	ABSENT	EXCUSED
SEN. WATT	✓		
SEN. BROWN	✓		
SEN. GOODOVER	✓		
SEN. HEALY	✓		
SEN. MANNING	✓		
SEN. NORMAN	✓		
SEN. ROSKIE	✓		
SEN. TOWE	✓		
SEN. TURNAGE	✓		
CHAIRMAN MATHERS	✓		

Each day attach to minutes.

HOUSE BILL 193

Accepted
by
motion
Roll #1

1. Amend the title, line 9
Following: "1947;"
Insert: "coordinating this act with other pending legislation;"

2. Amend page 2, section 1, line 6
Following: line 5
Strike: "84-7702"
Insert: [section 7 of this act]

3. Amend page 18, section 7, lines 17 and 18
Following: "section"
Strike: "numbered 84-7701"

4. Amend page 18, section 7, line 19
Following: line 18
Strike: "84-7701."

Am - p. 18, sec. 7, line 22

Fol: "gall"

st: soluble

Ins: chise

5. Amend page 19, section 7, line 7
Following: line 6
Insert: "(5) "Gross proceeds" or
revenue realized from the extract
multiplying the quantity produced

Am - p. 18, sec. 7, line 24

Fol: "Reduced"

st: "within the state of Texas"

6. Amend page 19, section 8, lines 7
Following: "section"
Strike: "numbered 84-7702"

Am - p. 18, sec. 7, line 25

Fol: line 24

Ins: "value of these"

Fol "metal"

st: "are"

Ins: "is"

Fol: "consider" st: soluble

7. Amend page 19, section 8, line 9
Following: line 8
Strike: "84-7702."

8. Amend page 20, section 9, lines 2 and 3
Following: "section"
Strike: "numbered 84-7703"

9. Amend page 20, section 9, line 4
Following: line 3
Strike: "84-7703."

STANDING COMMITTEE REPORT

April 4 1947

MR. PRESIDENT

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 198

Respectfully report as follows: That HOUSE Bill No. 198

third reading bill, be amended as follows:

1. Amend the title, line 9.
Following: "1947;"
Insert: "coordinating this act with other pending legislation;"
2. Amend page 2, section 1, line 6.
Following: line 5
Strike: "84-7702"
Insert: "[section 7 of this act]"
3. Amend page 18, section 7, lines 17 and 18.
Following: "section"
Strike: "numbered 84-7701"
4. Amend page 18, section 7, line 19.
Following: line 18
Strike: "84-7701."
5. Amend page 18, section 7, line 22.
Following: "of all"
Strike: "salable"
Insert: "these"

DD:BA:BA

6. Amend page 18, section 7, line 24.
Following: "reduced"
Strike: "within the state of Montana"

7. Amend page 18, section 7, line 25.
Following: line 24
Insert: "value of these"
Following: "metals"
Strike: "are"
Insert: "is"
Following: "considered"
Strike: "salable"
Insert: "outside the county"

8. Amend page 19, section 7, line 7.
Following: line 6
Insert: "(5) "Gross proceeds" or "gross metal yield" means the revenue realized from the extraction of metals, determined by multiplying the quantity produced by the merchantable value."

9. Amend page 19, section 8, lines 7 and 8.
Following: "section"
Strike: "numbered 84-7702"

10. Amend page 19, section 8, line 9.
Following: line 8
Strike: "84-7702."

11. Amend page 20, section 9, lines 2 and 3.
Following: "section"
Strike: "numbered 84-7703"

12. Amend page 20, section 9, line 4.
Following: line 3
Strike: "84-7703."

13. Amend page 20, section 10, lines 12 and 13.
Following: "section"

Strike: "numbered 84-7704"

14. Amend page 20, section 10, line 14.
Following: line 13
Strike: "84-7704."

15. Amend page 20, section 11, lines 23 and 24.
Following: "section"
Strike: "numbered 84-7705"

16. Amend page 20, section 11, line 25.
Following: line 24
Strike: "84-7705."

17. Amend page 21, section 12, lines 8 and 9.
Following: "section"
Strike: "numbered 84-7706"

18. Amend page 21, section 12, line 10.
Following: line 9
Strike: "84-7706."

19. Amend page 21, section 13, lines 16 and 17.
Following: "section"
Strike: "numbered 84-7707"

20. Amend page 21, section 13, line 18 through line 6 on page 22.
Strike: line 18 on page 21 through line 6 on page 22 in their entirety
Insert: "Assessment and collection procedures. The gross proceeds of metal mines shall be assessed and taxes thereon collected under the provisions of 84-7801 through 84-7807."

21. Amend page 22, line 8, section 14.
Following: line 8

Insert: "Section 15. In the event House Bill 70 is enacted into law and repeals sections 84-301 and 84-302, R.C.M. 1947, and amends section 84-401, R.C.M. 1947, then in lieu of sections 2, 3 and 5 of this act, there is enacted a new R.C.M. section that reads as follows:

"Class nineteen property -- description -- taxable value.

(1) Class nineteen property includes the annual gross proceeds of metal mines.

(2) Class nineteen property is taxed at 3% of its assessed value, which is 100% of annual gross proceeds." "

Renumber: following section

AND AS SO AMENDED,

BE CONCURRED IN

WILLIAM MATHERS

CHAIRMAN

HOUSE BILL NO. 198

INTRODUCED BY QUILICI, LYNCH, HARRINGTON, MULAR, BRAND,
COONEY, COURTNEY, MENAHAN

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR THE AD
VALOREM TAXATION OF THE GROSS PROCEEDS OF METAL MINES AT A
PERCENTAGE OF MERCHANTABLE VALUE; DELETING METALS FROM NET
PROCEEDS TAXATION; AMENDING SECTIONS 84-101, 84-301, ~~84-302,~~
~~84-401,~~ AND 84-5402, R.C.M. 1947; COORDINATING THIS ACT WITH
OTHER PENDING LEGISLATION; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 84-101, R.C.M. 1947, is amended to
read as follows:

"84-101. Definition of terms. Whenever the terms
mentioned in this section are employed in dealing with the
subject of taxation, they are employed in the sense
hereafter affixed to them.

First -- The term "property" includes moneys, credits,
bonds, stocks, franchises, and all other matters and things
real, personal, and mixed, capable of private ownership; but
this must not be construed so as to authorize the taxation
of the stocks of any company or corporation when the
property of such company or corporation represented by such
stocks is within the state and has been taxed.

Second -- The term "real estate" includes:

1. The possession of, claim to, ownership of, or right
to the possession of land.

2. All mines, minerals, and quarries in and under the
land, subject to the provisions of ~~section 84-5401 and~~
~~84-7702 [SECTION 7 OF THIS ACT]~~, all timber belonging to
individuals or corporations growing or being on the lands of
the United States, and all right and privileges appertaining
thereto.

3. Improvements.

Third -- The term "improvements" includes all
buildings, structures, fixtures, fences, and improvements,
including mobile homes and house trailers situated upon,
erected upon or affixed to land when the department of
revenue or its agent determines that the permanency of
location of the mobile home has been established and for
this purpose any mobile home is presumed to be an
improvement to real property. If the mobile home or house
trailer is an improvement located on land not owned by the
owner of such improvement, the improvement shall be assessed
as a leasehold improvement to real property and delinquent
taxes can be a lien only on the leasehold improvement.

Fourth -- The term "personal property" includes
everything which is the subject of ownership, not included
within the meaning of the term "real estate" and

1 "improvements."

2 Fifth -- The terms "value" and "full cash value" mean
3 the amount at which the property would be taken in payment
4 of a just debt due from a solvent debtor.

5 Sixth -- The term "credit" means those solvent debts,
6 secured or unsecured, owing to a person.

7 Seventh -- The term "mobile home" means forms of
8 housing known as "trailers", "house trailers" or "trailer
9 coaches" exceeding eight--{8} feet in width or thirty-two
10 {32} feet in length designed to be moved from one place to
11 another by an independent power connected thereto."

12 Section 2. Section 84-301, R.C.M. 1947, is amended to
13 read as follows:

14 "84-301. Classification of property for taxation. For
15 the purpose of taxation the taxable property in the state
16 shall be classified as follows:

17 Class One. The annual net proceeds of all mines and
18 mining claims, except coal and metal mines, after deducting
19 only the expenses specified and allowed by section 84-5403;
20 also where the right to enter upon land, to explore or
21 prospect, or dig for oil, gas, coal or mineral is reserved
22 in land or received by mesne conveyance (exclusive of
23 leasehold interests), devise or succession by any person or
24 corporation, the surface title to which has passed to or
25 remains in another, the state department of revenue shall

1 determine the value of the right to enter upon said tract of
2 land for the purpose of digging, exploring, or prospecting
3 for gas, oil, coal or minerals, and the same shall be placed
4 in this classification for the purpose of taxation.

5 Class Two. All agricultural and other tools, implements
6 and machinery, gas and other engines and boilers, threshing
7 machines and outfits used therewith, automobiles, motor
8 trucks and other power-driven cars, vehicles of all kinds
9 except mobile homes, boats and all watercraft, harness,
10 saddlery and robes and except as provided in Class Five (a)
11 of this section, all poles, lines, transformers, transformer
12 stations, meters, tools, improvements, machinery and other
13 property used and owned by all persons, firms, corporations,
14 and other organizations which are engaged in the business of
15 furnishing telephone communications, exclusively to rural
16 areas, or to rural areas and cities and towns provided that
17 any such city or town has a population of eight--hundred
18 {800} persons or less; and provided further, that the
19 average circuit miles for each station on the system is more
20 than one-and-one-quarter--{1 1/4} miles.

21 Class Three. Livestock, poultry, and unprocessed
22 products of both; furniture and fixtures used in commercial
23 activities; the annual gross proceeds of underground coal
24 mines; and all office or hotel furniture and fixtures,
25 except improvements included in Class Nine.

1 Class Four. (a) All land, town and city lots, with
2 improvements, except improvements included in Class Nine,
3 and all trailers affixed to land owned, leased, or under
4 contract or purchase by the trailer owner, manufacturing and
5 mining machinery, fixtures and supplies, except as otherwise
6 provided by the constitution of Montana, and except as such
7 property may be included in Class Five, Class Seven or Class
8 Eight.

9 (b) Mobile homes without regard to the ownership of
10 the land upon which they are situated, except those held by
11 a distributor or dealer of mobile homes as part of his stock
12 in trade, and except as such property may be included in
13 Class Eight.

14 Class Five. (a) All poles, lines, transformers,
15 transformer stations, meters, tools, improvements, machinery
16 and other property used and owned by co-operative rural
17 electrical and co-operative rural telephone associations
18 organized under the laws of Montana except those within the
19 incorporated limits of a city or town in which less than
20 ninety-five-per-cent-(95%) of the electric consumers and/or
21 telephone users are served by a co-operative organization,
22 and as to the property enumerated in this sub-section (a)
23 within incorporated limits of a city or town in which less
24 than ninety-five-per-cent-(95%) of the electric consumers or
25 users will be served by a co-operative organization, such

1 property shall be put in Class Two.

2 (b) All unprocessed agricultural products either on
3 the farm or in storage, irrespective of whether said
4 products are owned by the elevator, warehouse or flour mill
5 owner or company storing the same, or any other person
6 whomsoever, except all perishable fruits and vegetables in
7 farm storage and owned by the producer, and excepting
8 livestock and poultry and the unprocessed products of both.

9 (c) The dwelling house, and the lot on which it is
10 erected, owned and occupied by any resident of the state,
11 who has been honorably discharged from active service in any
12 branch of the armed forces, who is rated ~~one-hundred-per~~
13 ~~cent-(100%)~~ disabled due to a service-connected disability
14 by the United States veterans administration or its
15 successors.

16 In the event of the veteran's death, the dwelling
17 house, and the lot on which it is erected, so long as the
18 surviving spouse remains unmarried and the owner and
19 occupant of the property, shall remain within this
20 classification.

21 Class Six. Property formerly included in this class is
22 now classified by section 84-308, R.C.M. 1947.

23 Class Seven. (a) All new industrial property. New
24 industrial property shall mean any new industrial plant,
25 including land, buildings, machinery and fixtures which, in

1 the determination of the state department of revenue, is
 2 used by a new industry during the first three ~~three~~ years of
 3 operation not having been assessed prior to July 1, 1961,
 4 within the state of Montana. New industry shall mean any
 5 person, corporation, firm, partnership, association, or
 6 other group which establishes a new plant or plants in this
 7 state for the operation of a new industrial endeavor, as
 8 distinguished from a mere expansion, reorganization, or
 9 merger of an existing industry or industries. Provided,
 10 however, that new industrial property shall be limited to
 11 industries that manufacture, mill, mine, produce, process or
 12 fabricate materials, or do similar work in which capital and
 13 labor are employed and in which materials unserviceable in
 14 their natural state are extracted, processed or made fit for
 15 use or are substantially altered or treated so as to create
 16 commercial products or materials; industries that engage in
 17 the mechanical or chemical transformation of materials or
 18 substances into new products in the manner defined as
 19 manufacturing in the 1972 Standard Industrial Classification
 20 Manual, prepared by the United States office of management
 21 and budget; and in no event shall the term new industrial
 22 property be included to mean property used by retail or
 23 wholesale merchants, commercial services of any type,
 24 agriculture, trades or professions. New industrial property
 25 does not include a plant which will create an adverse impact

1 on existing state, county, or municipal services. The
 2 department shall promulgate regulations for the
 3 determination of what constitutes an adverse impact taking
 4 into consideration the number of people to be employed and
 5 the size of the community in which the location is
 6 contemplated. Once the department has made an initial
 7 determination that the industrial facility qualifies as new
 8 industrial property, the department shall then upon proper
 9 notice hold a hearing to determine if the new industrial
 10 classification should be retained by the property. The
 11 local taxing authority may appear at the hearing, and it
 12 also may waive its objection to retention of this
 13 classification if the industry agrees to the prepayment of
 14 taxes sufficient to satisfy tax requirements created by the
 15 location and construction of the facility during
 16 construction period.

17 In the event of a prepayment of taxes, the maximum
 18 amount or prepayment shall be the amount without the
 19 application of the Class 7 (a) to such property.

20 If a major new industrial facility qualifies under
 21 Class 7 (a) the reduction of its yearly payment of property
 22 taxes for reimbursement of its prepaid taxes as provided for
 23 in section 84-41-105, R.C.M. 1947, shall not begin until the
 24 Class 7 qualification expires. And provided further, that
 25 new industrial property shall not be included to mean

property which is used or employed in any industrial plant which has been in operation in this state for ~~three~~ ~~(3)~~ years or longer. Any person, corporation, firm, partnership, association or other group seeking to qualify its property for inclusion in this class shall make application to the state department of revenue in such manner and form as may be required by said department.

(b) Business inventories. Business inventories shall include goods intended for sale or lease in the ordinary course of business, and shall include raw materials and work in progress with respect to such goods, but shall not include goods actually leased or rented on the lien date, or mobile homes held by a dealer or distributor as a part of his stock in trade.

(c) Air pollution control equipment as defined in section 69-3923.

(d) A capital investment in a recognized nonfossil form of energy generation, to the extent provided under section 84-7403.

Class Eight. (a) Any improvement on real property, trailers affixed to land or mobile home belonging to any person who qualifies under any one or more of the hereinafter set forth categories, with appurtenant land not exceeding ~~five~~ ~~(5)~~ acres, which together have a market value of not more than ~~twenty-seven-thousand-five-hundred-dollars~~

~~(\$27,500)~~, which dwelling is owned or under a contract for deed, and which is actually occupied for at least ~~ten~~ ~~(10)~~ months per year as the primary residential dwelling of:

(1) a widow ~~sixty-two~~ ~~(62)~~ years of age or older, whether with or without minor dependent children, who qualifies under the income limitations of (4), or

(2) a widower ~~sixty-two~~ ~~(62)~~ years of age or older, whether with or without minor dependent children, who qualifies under the income limitations of (4), or

(3) a widow or widower with minor or dependent children regardless of age, who qualifies under the income limitations of (4), or

(4) a recipient or recipients of retirement or disability benefits whose income from all sources is not more than ~~six-thousand-dollars~~ ~~(\$6,000)~~ for a single person and ~~six--thousand--eight--hundred--dollars--~~ ~~(\$6,800)~~ for a married couple total per annum whether said dwelling is occupied by a single person or a married couple. Provided, further, that one who applies for classification of property under this class must make an affidavit to the state department of revenue on a form as may be provided by the state department of revenue supplied without cost to the applicant, as to his income, if applicable, as to his retirement benefits, if applicable, or, as to his marital status, if applicable, and to the fact that he or she

1 actually occupies or maintains as his or her primary
 2 residential dwelling, such land and improvements with right
 3 of the county welfare board to investigate the applicant, on
 4 the completion of the form, as to answers given on the form.
 5 Provided, further, the assessed value of said property shall
 6 not be increased during the life of the recipient of
 7 retirement benefits or widow or widower covered under this
 8 class, unless the owner-resident makes a substantial
 9 improvement in the dwelling. For the purposes of the
 10 affidavit required for classification of property under this
 11 class, it shall be sufficient if the applicant signs a
 12 statement swearing to or affirming the correctness of the
 13 information supplied, whether or not the statement is signed
 14 before a person authorized to administer oaths, and mails
 15 the application and statement to the department of revenue.
 16 This signed statement shall be treated as a statement under
 17 oath or equivalent affirmation for purposes of section
 18 94-7-203, R.C.M. 1947, relating to the criminal offense of
 19 false swearing.

20 (b) A capital investment in a building for an energy
 21 conservation purpose, to the extent provided under section
 22 84-7403.

23 ~~(c) The annual gross proceeds of metal mines.~~

24 Class Nine. The incremental increase in the value of
 25 real estate attributable to repairing, maintaining or

1 improving existing improvements.

2 Class Ten. The annual gross proceeds of coal mines
 3 using the strip mining method.

4 Class Eleven. Centrally assessed utility allocations
 5 after deductions of locally assessed properties and except
 6 as provided in Class Two for rural telephones and Class Five
 7 (a) for cooperatives, and all other property not included in
 8 the ten (10) preceding classes.

9 CLASS TWELVE. THE ANNUAL GROSS PROCEEDS OF METAL
 10 MINES."

11 SECTION 3. SECTION 84-302, R.C.M. 1947, IS AMENDED TO
 12 READ AS FOLLOWS:

13 "84-302. Basis for imposition of taxes. As a basis for
 14 the imposition of taxes upon the different classes of
 15 property specified in the preceding section, a percentage of
 16 the true and full value of the property of each class shall
 17 be taken as follows:

18 Class 1. ~~One hundred per cent (100%)~~ of its true and
 19 full value.

20 Class 2. ~~Twenty per cent (20%)~~ of its true and full
 21 value.

22 Class 3. ~~Thirty-three and one-third per cent (33 1/3%)~~
 23 of its true and full value.

24 Class 4. ~~Thirty per cent (30%)~~ of its true and full
 25 value.

1 Class 5. ~~Seven-per-cent-{7%}~~ of its true and full
2 value.

3 Class 6. As specified in section 84-308, R.C.M. 1947.

4 Class 7. ~~Seven-per-cent-{7%}~~ of its true and full
5 value.

6 Class 8. ~~Fifteen-per-cent-{15%}~~ of its true and full
7 value.

8 Class 9. ~~Six-per-cent-{6%}~~ of the true and full value
9 for the first full year following completion of the repair,
10 maintenance or improving of existing improvements; ~~twelve~~
11 ~~percent-{12%}~~ of the true and full value for the second full
12 year following completion of the repair, maintenance or
13 improving of existing improvements; ~~eighteen-percent-{18%}~~
14 of the true and full value for the third full year following
15 completion of the repair, maintenance or improving of
16 existing improvements; ~~twenty-four-percent-{24%}~~ of the true
17 and full value for the fourth full year following completion
18 of the repair, maintenance or improving of existing
19 improvements; and ~~thirty-percent-{30%}~~ for the fifth full
20 year following completion of the repair, maintenance or
21 improving of existing improvements and for every year
22 thereafter.

23 Class 10. ~~Forty-five-per-cent-{45%}~~ of its true and
24 full value.

25 Class 11. ~~Forty-per-cent-{40%}~~ of its true and full

1 value.

2 CLASS 12. 7.5% OF ITS TRUE AND FULL VALUE."

3 Section 4. Section 84-5402, R.C.M. 1947, is amended to
4 read as follows:

5 "84-5402. Net proceeds tax -- statement of yield,
6 penalty, extension of time. Every person, partnership,
7 corporation, or association, engaged in mining, extracting
8 or producing from any quartz vein or lode, placer claim,
9 dump or tailings, or other place or sources whatever,
10 precious stones or gems, ~~gold, silver, copper, lead,~~
11 vermiculite, bentonite, petroleum, natural gas, or other
12 valuable mineral, except coal, and metals, must on or before
13 ~~the thirty-first-day-of~~ March 31 of each year make out a
14 statement of the gross yield of the above-named metals or
15 minerals from each mine owned or worked by such person,
16 corporation or association during the year preceding the
17 ~~first-day-of~~ January 1 of the year in which such statement
18 is made, and the value thereof. Such statement shall be in
19 the form prescribed by the state department of revenue, and
20 must be verified by the oath of such person or the manager,
21 superintendent, agent, president or vice-president of such
22 corporation, association or partnership, and must be
23 delivered to the state department of revenue on or before
24 ~~the thirty-first-day-of~~ March 31. Such statement shall show
25 the following:

1 1. The name and address of the owner or lessee or
2 operator of the mine, together with the names and addresses
3 of any and all persons, corporations, or associations owning
4 or claiming any royalty interest in the mineral product of
5 such mine or the proceeds derived from the sale thereof, and
6 the amount or amounts paid or yielded as royalty to each of
7 such persons, corporations or associations during the period
8 covered by the statement.

9 2. The description and location of the mine.

10 3. The number of tons of ore, barrels of petroleum,
11 cubic feet of natural gas or other mineral products or
12 deposits extracted, produced, and treated or sold from the
13 mine during the period covered by the statement.

14 4. The amount and character of such ores, mineral
15 products or deposits, and the yield of such ores, mineral
16 products or deposits from such mine in constituents of
17 commercial value; that is to say, ~~the number of ounces of~~
18 ~~gold or silver, pounds of copper or lead,~~ barrels of
19 petroleum or other crude or mineral oil, cubic feet of
20 natural gas or other commercially valuable constituents of
21 said ores or mineral products or deposits measured by
22 standard units of measurement, yielded to such person,
23 corporation or association so engaged in mining, and to said
24 royalty holders and each of them, if any, during the period
25 covered by the statement.

1 5. The gross yield or value in dollars and cents.
2 6. Actual cost of extracting same from mine.
3 7. Actual cost of transporting to place of reduction
4 or sale.
5 8. Actual cost of reduction or sale.
6 9. Actual cost of marketing the product and conversion
7 of same into money.
8 10. Cost of construction, repairs and betterments of
9 mines, and cost of repairs and replacements of reduction
10 works.
11 11. The assessed valuation of reduction works for the
12 calendar year for which such return is made.
13 12. Actual cost of fire insurance and workmen's
14 compensation insurance.

15 If any person shall fail, neglect or refuse to file the
16 statement required by this section within the time required,
17 or within any extended period of time allowed, the state
18 department of revenue when transmitting the net proceeds
19 valuations to the counties shall inform the county assessor
20 of such failure, neglect or refusal and the county assessor
21 in addition to the net proceeds tax, if any, shall assess a
22 penalty of 2/3 of 1% of such tax for each calendar month or
23 fraction thereof that the required statement is not filed,
24 deducting therefrom any moneys collected by the state
25 department of revenue required by this section. The state

department of revenue shall assess a penalty of \$25 for each calendar month or fraction thereof, not exceeding four months, that the required statement is not filed, to be collected by the state department of revenue and deposited to the credit of the general fund of the state of Montana.

The state department of revenue shall, upon a showing of reasonable cause, grant an extension of time for filing the statement required by this section. This penalty shall be in addition to penalties provided in section 84-5410."

Section 5. Section 84-401, R.C.M. 1947, is amended to read as follows:

"84-401. Property assessed at ~~forty percent (40%)~~ of its full cash value -- exceptions. All taxable real property and improvements and gross proceeds of metal mines must be assessed at ~~forty percent (40%)~~ of its full cash value except:

(1) Properties in section 84-301, under Class One, shall be assessed at ~~one hundred percent (100%)~~ of full cash value.

(2) The assessment of agricultural lands shall be based upon the productive capacity of the lands when valued for agricultural purposes. All lands shall be valued as agricultural lands for tax purposes that meet the qualifications of section 84-437.2, R.C.M. 1947. Land and the improvements thereon shall be separately assessed when

any of the following conditions occur:

(a) when ownership of the improvements is different from ownership of the land,

(b) when requested in writing by the taxpayer, or

(c) when the land is outside an incorporated city or town.

The taxable value of all property shall be determined by sections 84-301 and 84-308."

Section 6. There is a new R.C.M. section in chapter 2, title 84, that reads as follows:

Exemption -- ~~first 20,000 tons of metal mine production. The annual gross proceeds of a mine~~ METAL MINES GROSS PROCEEDS. METAL MINES producing ~~metallic ore does not include the first~~ LESS THAN 20,000 tons of ore produced in a taxable year, ~~and this first 20,000 tons of ore is~~ SHALL BE exempt from ~~all~~ property taxation ON ONE-HALF OF THE MERCHANTABLE VALUE.

Section 7. There is a new R.C.M. section numbered ~~84-7701~~ that reads as follows:

~~84-7701~~ Definitions. As used in this chapter the following definitions apply:

(1) "Merchantable value" means the average market value of all ~~saleable~~ THESE metals produced or extracted in a county over a 12-month period. If the extracted ores are milled, smelted, or reduced ~~within the state of Montana~~, the

1 VALUE OF THESE metals are IS considered saleable OUTSIDE THE
2 COUNTY after this processing.

3 (2) "Agreement not at arm's length" means an agreement
4 between parties where the sales price does not represent
5 market value.

6 (3) "Department" means the department of revenue.

7 (4) "Market value" means the exchange value of a
8 property in a competitive market.

9 (5) "GROSS PROCEEDS" OR "GROSS METAL YIELD" MEANS THE
10 REVENUE REALIZED FROM THE EXTRACTION OF METALS, DETERMINED
11 BY MULTIPLYING THE QUANTITY PRODUCED BY THE MERCHANTABLE
12 VALUE.

13 Section 8. There is a new R.C.M. section numbered
14 84-7702 that reads as follows:

15 ~~84-7702~~ Metal mines -- ad valorem taxation. Each
16 person, partnership, corporation, or association mining or
17 extracting gold, silver, copper, lead, or other metals from
18 whatever source must, on or before March 31 each year, file
19 with the department of revenue a statement of the gross
20 metal yield from each mine owned or worked by such person in
21 the preceding calendar year and the value thereof. The
22 statement shall be in the form prescribed by the department
23 and shall contain the following:

24 (1) the name, address, and telephone number of the
25 owner, lessee, or operator of the mine;

1 (2) the mine's location by county and legal
2 description;

3 (3) the tons of ore extracted from the mine during the
4 taxable period;

5 (4) the merchantable value in dollars and cents of all
6 metals extracted; and

7 (5) any other information requested by the department.

8 Section 9. There is a new R.C.M. section numbered
9 ~~84-7703~~ that reads as follows:

10 ~~84-7703~~ Valuation -- gross proceeds. On or before
11 July 1 each year, the department shall determine the
12 merchantable value of all metal production from the previous
13 calendar year. The department shall transmit to its agent in
14 each county where metals are produced the merchantable value
15 as has been determined by the department for placement on
16 the assessment roll, after subtracting such portion of the
17 proceeds as may be exempt from property taxation.

18 Section 10. There is a new R.C.M. section numbered
19 ~~84-7704~~ that reads as follows:

20 ~~84-7704~~ Taxation of merchantable value. The
21 department's agent shall prepare from the reported valuation
22 a tax roll which shall be transmitted to the county
23 treasurer on or before September 15 each year. The county
24 treasurer shall proceed to give full notice thereof to each
25 metal producer and to collect the taxes due at the times

provided for in 84-4103, and any delinquencies in the payment of same shall be subject to the interest and penalties provided for in 84-4103.

Section 11. There is a new R.C.M. section numbered 84-7705 that reads as follows:

84-7705. Imputed value -- procedure for metals. If there is no sale or the sale is by an agreement not at arm's length or no statement is filed, the department shall impute the merchantable value of the metal. When imputing value, the department shall consider all appropriate market information available. When the imputed value is contested in any proceedings, the burden of proof is with the contesting party.

Section 12. There is a new R.C.M. section numbered 84-7706 that reads as follows:

84-7706. Lien of tax. The tax or penalty on gross proceeds is a lien upon the mine from which the metal is extracted and is prior lien upon all owned or leased personal property and improvements used in extracting the ore or metal. The tax shall be collected in the manner provided under chapter 41 of this title.

Section 13. There is a new R.C.M. section numbered 84-7707 that reads as follows:

84-7707. Penalties. (1) A person who refuses to file the required statement with the department or makes a false

statement commits a misdemeanor. Persons convicted under this section shall be fined not to exceed \$1,000 or be imprisoned in the county jail for a term not to exceed 6 months or both.

(2) If the required statement is not filed timely and no extension has been granted BY MARCH 31 OR WITHIN THE TIME EXTENDED by the department, there shall be assessed THE DEPARTMENT'S AGENT IN THE COUNTY SHALL ASSESS a penalty of 1/2 of 1% of such tax for each calendar month or fraction thereof that the statement is delinquent.

(3) The department when shown good cause may grant an extension of the time for filing the required statement. ASSESSMENT AND COLLECTION PROCEDURES. THE GROSS PROCEEDS OF METAL MINES SHALL BE ASSESSED AND TAXES THEREON COLLECTED UNDER THE PROVISIONS OF 84-7801 THROUGH 84-7807.

Section 14. Effective date. This act shall apply to all metal mines production for calendar year 1977 1976.

SECTION 15. IN THE EVENT HOUSE BILL 70 IS ENACTED INTO LAW AND REPEALS SECTIONS 84-301 AND 84-302, R.C.M. 1947, AND AMENDS SECTION 84-401, R.C.M. 1947, THEN IN LIEU OF SECTIONS 2, 3 AND 5 OF THIS ACT, THERE IS ENACTED A NEW R.C.M. SECTION THAT READS AS FOLLOWS:

Class nineteen property -- description -- taxable value. (1) Class nineteen property includes the annual gross proceeds of metal mines.

1 (2) Class nineteen property is taxed at 3% of its
2 assessed value, which is 100% of annual gross proceeds.

3 Section 16. Severability. If a part of this act is
4 invalid, all valid parts that are severable from the invalid
5 part remain in effect. If a part of this act is invalid in
6 one or more of its applications, the part remains in effect
7 in all valid applications that are severable from the
8 invalid applications.

-End-